



REGGIE

2023

Epic Games Investment Opportunity

2023

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Executive summary

Epic Games is the leading interactive entertainment company and 3D engine technology provider with an end-to-end gaming platform, including AAA gaming titles and software tools for developing next-gen games

KEY NUMBERS

CUSTOMER BASE

700M+

LAST ROUND VALUATION

\$31.5B

TOTAL RAISED

\$6.4B

REVENUE

\$4B

CASH HOLDINGS

\$4B



INVESTMENT THESIS



Undoubted market leader. Epic Games is the gaming locomotive with Fortnite, the top-1 game worldwide by cumulative time played, covering 700m users, and 1st most popular game engine – Unreal Engine 4/5

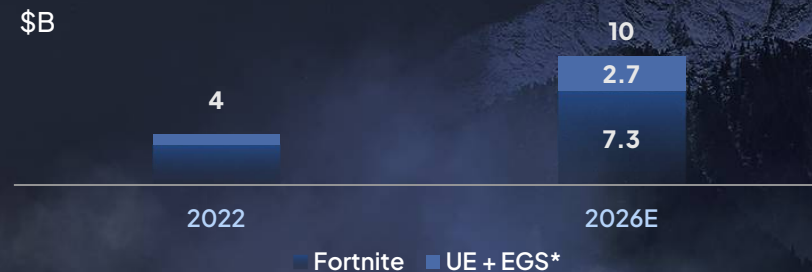


Well-positioned against the competition. Epic Games is the leading operator of the end-to-end gaming value chain focused on triple-A content, while competitors are more focused on indie / casual gaming experiences.



UGC leader. The combination of Fortnite and Unreal Engine 5 capabilities can create a new wave of UGC-boom and foster new gaming/metaverse narratives.

REVENUE PROJECTIONS



*Unreal Engine + Epic Games Store total revenue, \$bn

MANAGEMENT TEAM

Experts from tier-1 brands & Fortune 500 companies



Tim Sweeney
CEO & founder



Adam Sussman
President



Randy Gelber
CFO



Kim Liberi
CTO



+6,000 employees worldwide

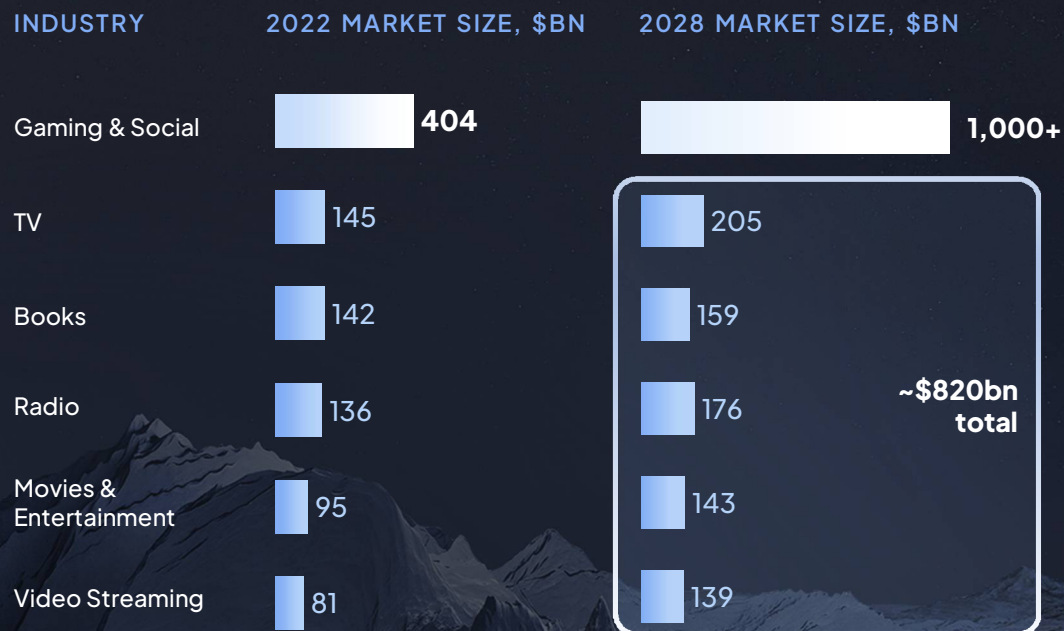
CORE BACKERS



Gaming & Social are uniting to become the new entertainment. \$400bn now, it will become a \$1tn+ opportunity by 2028

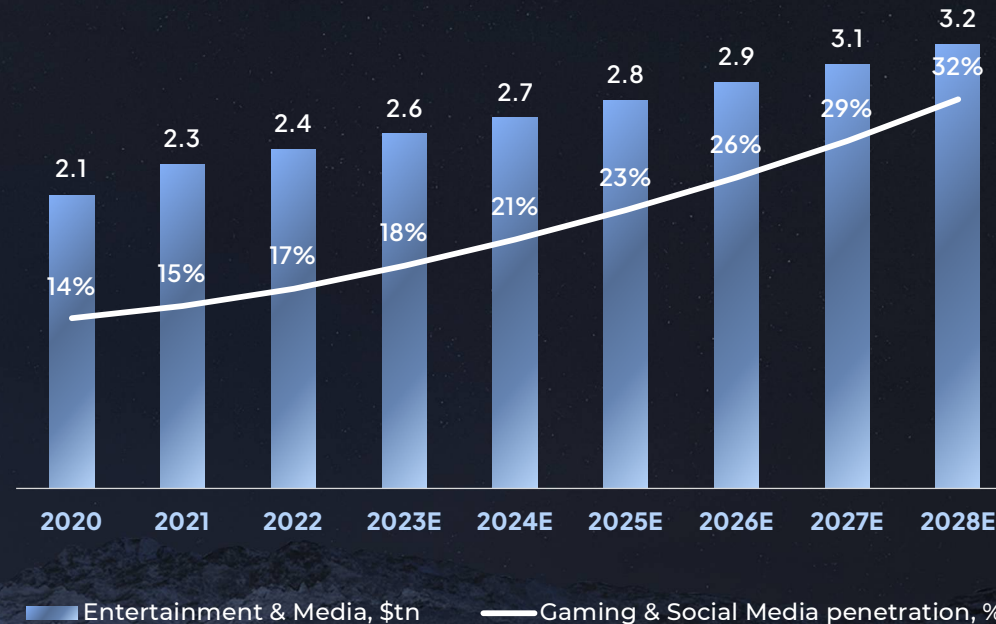
Gaming & Social will exceed the combined size of TV, Books, Radio, Movies & Streaming industries by 2028

Estimated E&M revenue worldwide in 2022 & 2028, by category



The new entertainment penetration will grow ca. 2x and reach 32% due to the ongoing generational shift

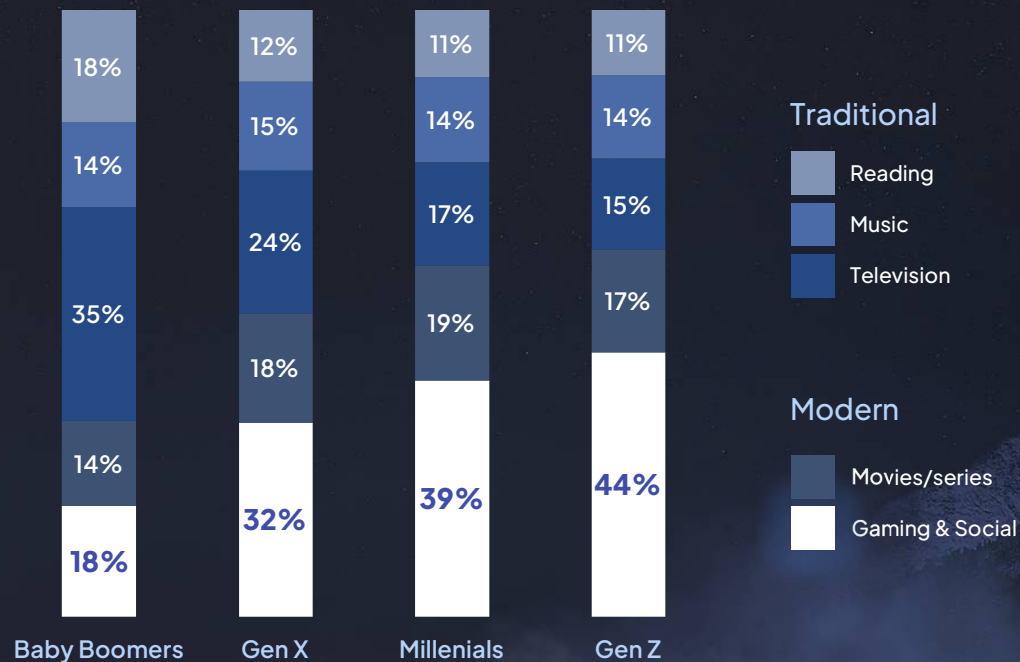
Entertainment & Media TAM in \$tn with the new entertainment penetration



New generations spend on gaming & social > 40% of their leisure time with hyper-social games being stickier than TikTok

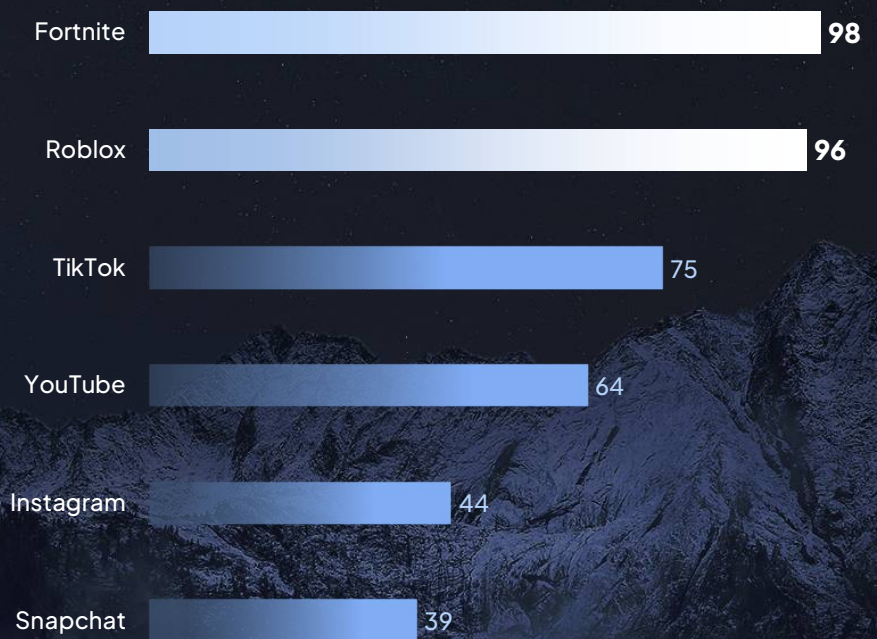
New generations spend on games and social > 40% of their leisure time. More than on movies, TV or music

Share of leisure time spent per entertainment platform (outside work)



When it comes to the exact titles, the hyper-social games beat social media behemoths in stickiness

Average time spent in App, minutes



Gaming IPs are starting to dominate Hollywood and collaborate with popstars, creating online social immersive experiences



NETFLIX'S THE WITCHER SEASON 2 impressed fans and critics alike with 94% Critics Rating

541M

views for The Witcher S2 in the first month after release



LEAGUE OF LEGENDS' ARCANE was the most-watched show on Netflix in 38+ countries

67M

views for Arcane in the first month after release



In-game concerts of Travis Scott and Ariana Grande attracted 12M+ concurrent players

\$120M

Daily profit generated during the event day

! In 2019, Netflix CEO Reed Hastings claimed that, from a competitive standpoint, the popular subscription service lost more viewers to Epic's popular battle-royale videogame Fortnite than to HBO

Epic Games is a Gaming-as-a-Service platform, uniting players, developers and creators to build next-gen gaming content

Epic Games in a nutshell

Key numbers and figures

Year Founded	1991
Headquarters	US
Employees	6,000+
Business Model	In-App Purchases, Royalties, Engine Subscriptions
Customer Base	400M Players, Developers & Creators
Last Round Valuation	\$31.5B (April 2022)
Total Equity Raised	\$6.4B (April 2022)

Epic Games product mix engages 400m+ players and developers worldwide

Gaming title, engine and distribution platform

FORTNITE

#1

Gaming title by cumulative time played



UNREAL ENGINE

#1

AAA gaming engine, empowering UGC¹



STORE

80%

YoY growth – the fastest growing games distribution platform



“Epic Games has fundamentally changed the model for interactive entertainment under the company’s visionary leadership.”

Ted Oberwager,
Managing Director, KKR

By tapping all the market segments, Epic fuels a synergetic flywheel effect between its core businesses

Fortnite 2.0

Previously a leading game, now it's becoming the UGC-led social platform

Unreal Engine 5

Software toolkit for the development of new gaming content.



Epic Games Store

Distribution channel for Fortnite and other games developed with Unreal.

Access to downstream distribution

Developers who create games with the Unreal Engine benefit from a direct digital distribution channel, the Epic Game Store, with over 160M registered users

Improve user engagement

With more games on the Epic Game Store, users can easily migrate from one game to the next, all while staying inside of the Epic platform

Build a network effect

As more games are created, there are more titles for users of the Epic Games Store to enjoy

Metaverse potential

Fortnite 2.0 is positioned to become the first AAA-Metaverse empowered by its UGC strategy and deep Unreal Engine integration. According to GS, BoA, and Citigroup, the Metaverse could eventually account for up to 15% of global GDP, or ~\$17tr.

FORTNITE



Fortnite is one of the largest games worldwide and #1 title by cumulative time played with over 500M registered users

Fortnite - key stats

YEAR LAUNCHED

2017

REGISTERED USERS

500M+

MONTHLY ACTIVE PLAYERS

70M+

PLATFORMS

Cross-platform

Top PC games by MAU¹



Top PS5 games by MAU¹



Top XBOX games by MAU¹



Fortnite sustains a healthy user base of 70m+ MAU, powered by constant content updates and collaborations with top IPs

Fortnite has collaborated with 30+ pop stars, sports athletes and IPs during 2022



The Mandalorian,
Star Wars



Kratos,
God of War



Thanos,
Marvel MCU

& other 25+ sports stars (James leBron, Neymar Jr.), celebrities (Ariana Grande, Travis Scott) and fiction universes (Terminator, Walking Dead, Naruto, Rick & Morty, Predator, etc.) included in the game

Peak concurrent players, m



Fortnite MAU, m



Constant content update

Epic Games releases a new "Season" roughly every two months to attract new users and build engagement

Not just a game. Fortnite is a social platform for creating and sharing immersive virtual experiences, powered by UGC

Party Royale – hosting live events in Fortnite

Creative 2.0 was launched in Mar'23 – embracing creators with a UGC engine

Top of the charts

#1

Debut single on Apple Music, Spotify, Twitter

Record breaking attendance

27M+

attendees during the Travis Scott concerts

Unbelievable margins

\$120M

gross revenue on the event day

45M

viewers across game streaming platforms

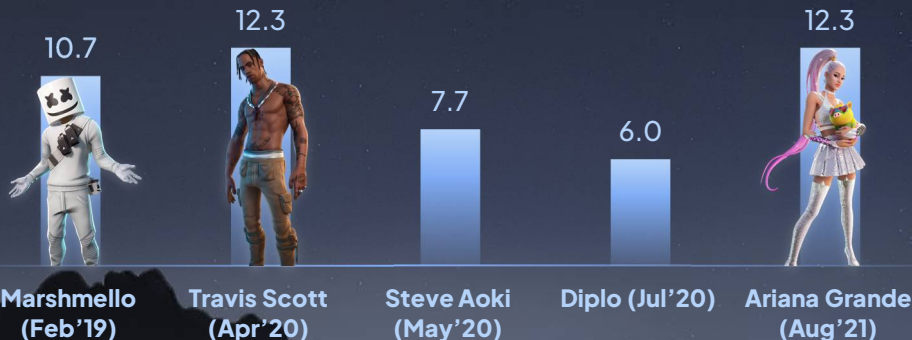
3x

more than of Ed Sheeran's 2017-19 largest world tour

\$2M

Astronomical¹ total budget

Maximum concurrent users, m



Fortnite Creative Mode in numbers

40%

in-game time share of the Creative mode

6B+

hours spent in 2021 in the Creative Mode

100M+

users added via the Creative mode



Fortnite Unreal Editor will unlock 420k monthly active Unreal Engine developers to build their own immersive experiences in Fortnite



Lego Mode will be a survival mode in an open world Sandbox, where players will build copies of physical LEGO sets, activated via special QR codes distributed in the boxes



1. Travis Scott's in-game event name



UNREAL
ENGINE

Unreal Engine 5 – AWS for 3D digital environments. #1 engine, empowering developers and UGC

Unreal Engine (UE) – Key Stats

UE5 LAUNCH

Apr 2022

TAM FOR ALL USE-CASES

\$40B+

MARKET SHARE¹

~56%

ACTIVE DEVELOPERS

420K

Gaming titles developed with UE



Movies/series developed with UE



Other brands using UE



Unreal Engine suits high-end graphic-intensive projects with attractive monetization at scale

	 UNREAL ENGINE	 unity	Proprietary/ In-House
Accessibility Ease-of-Use	✓/✗	✓	✗
HD Graphics/ Complex Gameplay	✓	✓/✗	✓
Value-Add Services & Support	✓	✓	✗
Cross-platform play/distribution	✓	✓	✓/✗
Pool of Experienced Developers	✓	✓	✗
Suits non-gaming use-cases	✓	✗	✗
Pricing model	Revenue Share	Per-seat SaaS	N/A

The Epic Games logo is a white shield with a pointed bottom, containing the text "EPIC GAMES" in a bold, sans-serif font. The shield is centered on a background of a purple-to-pink gradient with a hexagonal pattern.

**EPIC
GAMES**

STORE

Epic Games Store is a core pillar of Epic's ambition to grow gaming community around their ecosystem

Epic Game Store – Key Stats



The Epic Games Store sells games produced by Epic as well as third-party developers

YEAR LAUNCHED

2019

REGISTERED USERS

230M+

MONTHLY ACTIVE USERS

68M+

2022 USER SPEND

\$820M

SYSTEMS

Windows/Mac OS

Strategic benefits of operating the Epic Game Stores:

1 User Scale	Increases the number of active users in the Epic Games network
2 User Activity	More users and games increase user retention and engagement
3 Social Graph	More users and longer sessions provide Epic with better data insights
4 Own Content	Epic owns exclusive distribution rights for a great portfolio of games

MOST POPULAR TITLES



FORTNITE



Epic Games' \$4bn+ revenue is generated through Fortnite in-game purchases, Unreal Engine freemium and EGS royalties

Company's monetization model differs through 3 primary revenue streams

Epic Games core business models

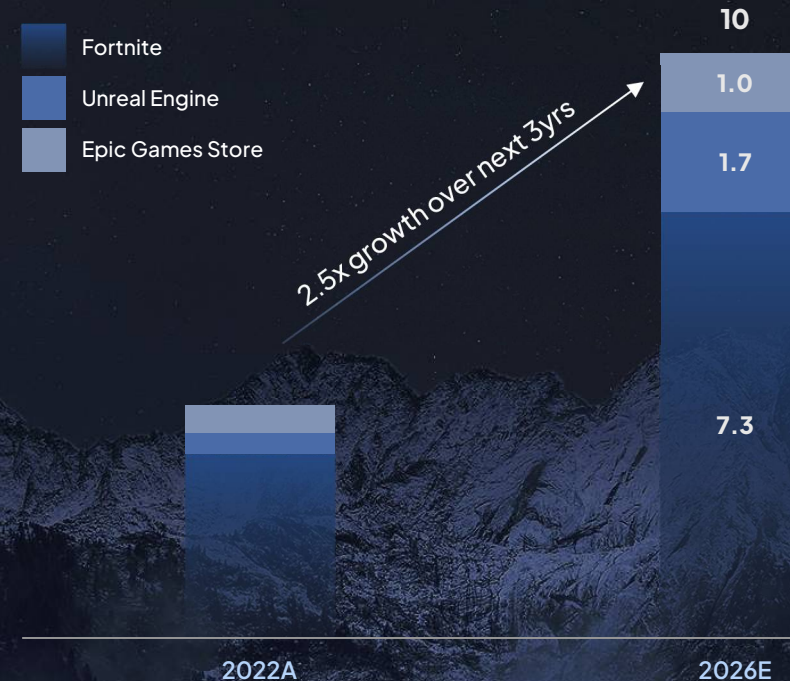
Game Revenue. Game revenue is driven primarily by Fortnite in-game purchases. Fortnite is free-to-play but (like Roblox) has an in-game currency called "V-Bucks" that users purchase and then use to buy in-game products such as skins. Game revenue is also generated (to a lesser extent) from Epic's other game titles, including Rocket League and Robo Recall, among others

Unreal Engine. Unreal Engine software is free to use, but a 5% royalty is owed on all successful games that surpass the threshold of \$1m lifetime gross revenue. Everything below this number is royalty exempt

The Epic Games Store. Epic Games Store (EGS) generates revenue by taking a 12% revenue share on all sales driven through EGS like Apple App Store or Google Play. Notably, any game developed with the Unreal Engine is exempt from the 5% Unreal Engine licensing fee

Epic Games next-gen strategy is expected to boost revenue by 2.5x, reaching \$10bn mark in 2028

Epic Games revenue projections, \$bn



The Company is ready for an IPO, but it will go public at more favorable conditions, providing significant upside for investors

IPO in 2-3 years

TOTAL RAISED

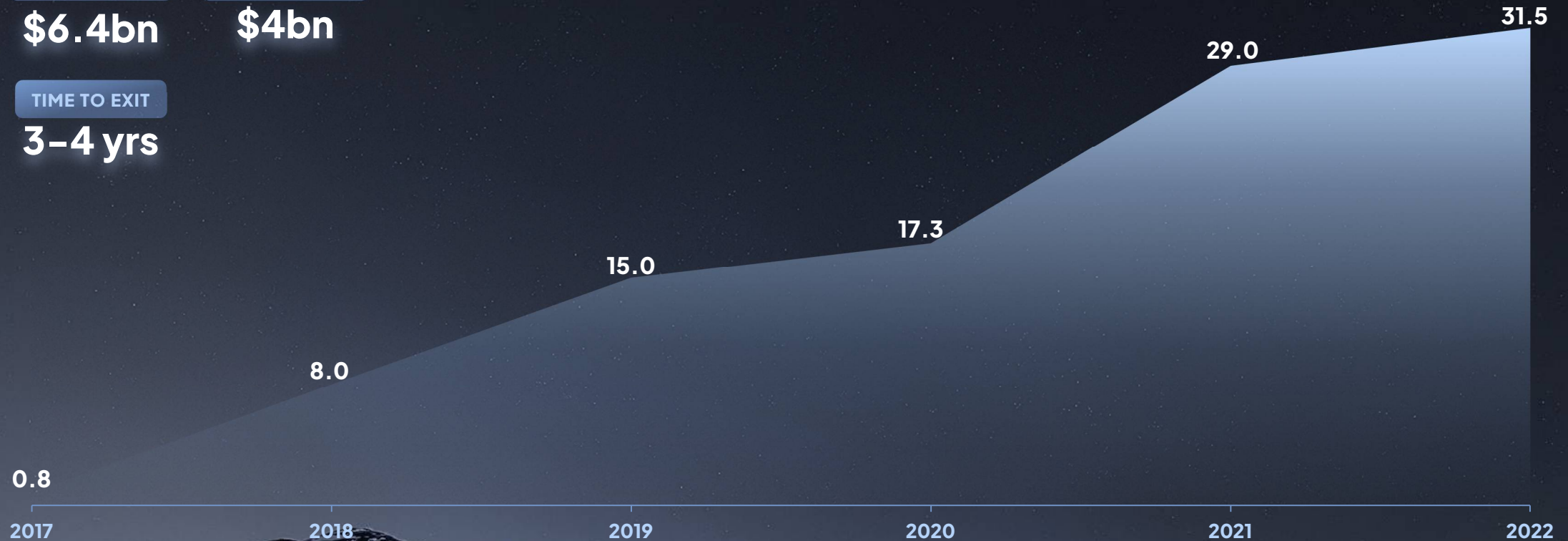
\$6.4bn

CASH HOLDINGS

\$4bn

TIME TO EXIT

3-4 yrs

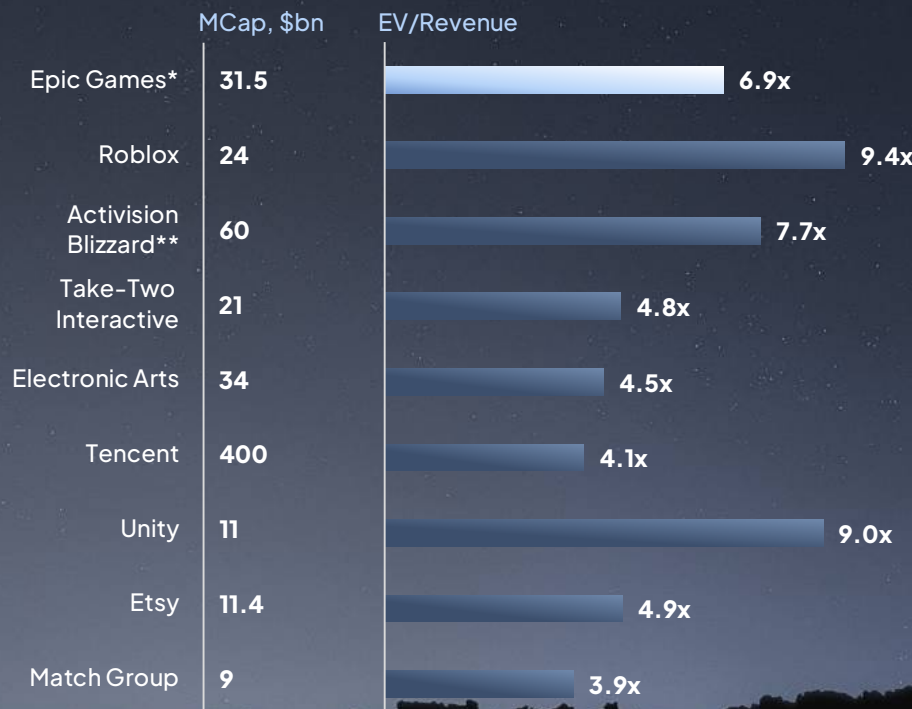


Epic Games focus on rebalancing revenue streams and investing in new IPs will lead to \$57-88bn valuation at IPO in 3 years

Public comparables and recently announced M&As allow to target EV/Rev multiple for Epic Games core products

Sum-of-the-parts analysis of Epic Games projections leads to \$57-88bn equity valuation in 3 years

Value of MCap and EV/Revenue multiples for close peers



Sum-of-the-parts valuation analysis for Epic Games

Component	Est. '26E Revenue	Fwd. Multiple		Value, \$bn	
		Low	High	Low	High
Epic's Games	\$7.3bn	4.5x	8.6x	\$33	\$63
Unreal Engine	\$1.7bn	9.0x	9.0x	\$15	\$15
Epic Games Store	\$1.0bn	3.9x	4.9x	\$4	\$5
Enterprise Value				\$52	\$83
Cash				\$5	\$5
Equity Value ('26E)				\$57	\$88



*Epic Games MCap stands for the last round equity valuation as of Apr 2022
 **Activision Blizzard revenue multiple is provided as of the Microsoft acquisition announcement

Epic Games is led by visionary C-Levels from tier-1 gaming and movies brands, who can execute the next-gen strategy



Tim Sweeney
CEO & Founder

- Founded Epic in 1991, 20+ yrs of experience
- Developed Unreal Engine and created games since he was in college



Adam Sussman
President

- Joined Epic in 2020, 15+ yrs of experience
- Served as the Chief Digital Officer at Nike, previously was employed at Disney, EA, Take-Two Interactive and Zynga



Randy Gelber
CFO

- Joined Epic in 2019, 20+ yrs of experience in similar positions in investment banks
- Previously served as the Head of TMT in APAC region for UBS & Barclays



Kim Liberi
CTO

- Joined Epic in 2014, 30+ yrs of experience
- Ex-Senior Vice President of Technology at LucasFilm and LucasArts

How to connect to Regolith and participate in the Epic Games deal?

1 step



Registration

Register on the Regolith.pro website

2 step



Identity verification

Verify your email and complete KYC process

3 step



Account funding

Deposit funds via "Bank Swift Transfer in USD" or cryptocurrencies (BTC/ETH/USDT/USDC)

4 step

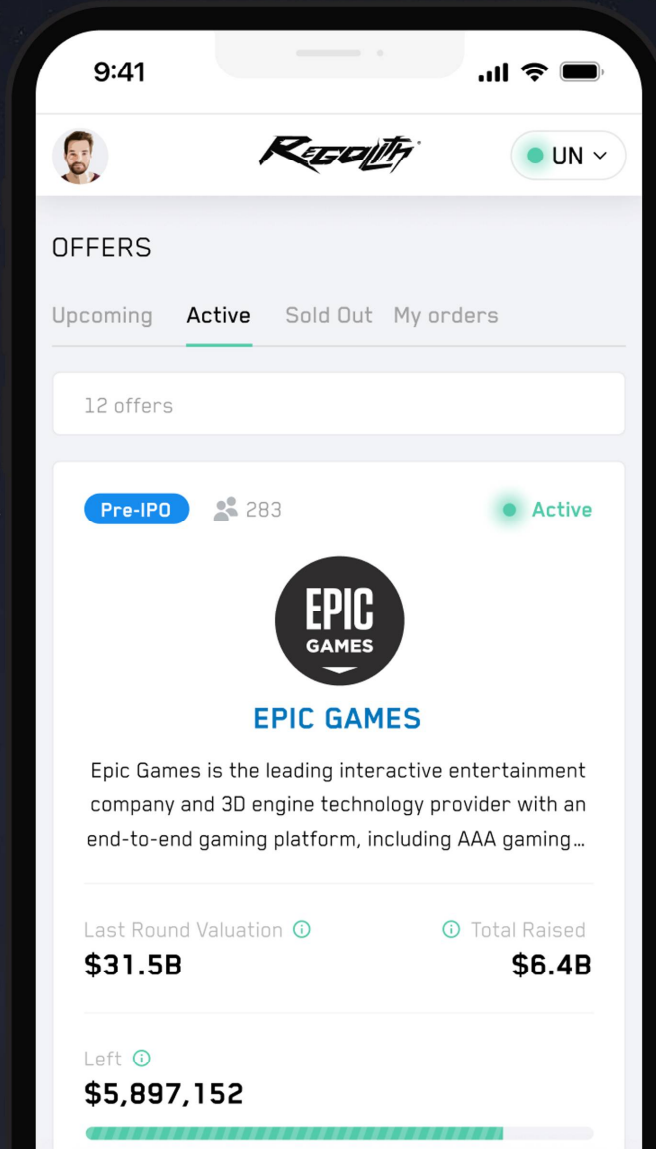


Transactions

Participate in the Epic Games deal or other deals on the Regolith marketplace

If you are already a client of Regolith, you do not need to register again on the website. Simply proceed to the [Regolith marketplace](#) and purchase the desired volume independently.

Deal terms



\$1.000 Minimum investment amount

- Purchase fee - 5%
- Fee for selling - 0%
- Profit sharing fee - 20%

INVEST